

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**MANAGEMENT DISCUSSION & ANALYSIS  
AND AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2012**

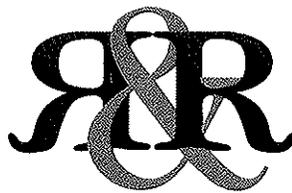
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**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**REPORT ON EXAMINATION  
OF FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2012**



RECTOR & REEDER, PC

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

We have audited the accompanying financial statements of the Housing Authority of the Town of Ruston as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the Town of Ruston, as of June 30, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Management's Discussion and Analysis* is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements of the Housing Authority of the Town of Ruston. The accompanying Schedule of Expenditures of Federal Awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, as well as the Financial Data Schedules required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Rector & Reeder, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
November 29, 2012

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**MANAGEMENT DISCUSSION & ANALYSIS**

**YEAR ENDED JUNE 30, 2012**

**RUSTON HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION & ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2012**

This section of the Authority's annual financial report presents Management's analysis of the Authority's financial performance during the Fiscal Year Ended June 30, 2012.

**FINANCIAL HIGHLIGHTS AND CONCLUSIONS:**

The Ruston Housing Authority had a good year as illustrated by the outcome of its fiscal year operations. Total Net Assets increased by \$225,561 or 4.19%. The financial indicators continue to maintain an above average score as established by the Real Estate Assessment Center (REAC). Based on our calculation of the financial score, the Authority should receive a designation of "high performer" under the Financial Assessment Sub System (FASS).

**REQUIRED FINANCIAL STATEMENTS**

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Assets (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net assets are accounted for in the Statement of Revenues, Expenses and Change in Net Assets. This statement measures the success of the Authority's operations over the past fiscal year.

The purpose of the Statement of Cash Flows is to provide information about the Authority's cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations.

**FINANCIAL ANALYSIS OF THE AUTHORITY**

One question frequently asked about an Authority's finances is "Did the Authority's operations and financial position improve or deteriorate over the previous fiscal year?" The Statement of Net Assets and the Statement of Revenues, Expenses and Change in Net Assets report information about the Authority's activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority's Statement of Net Assets is presented in Table I, which follows.

**Ruston Housing Authority**  
**Comparative Statement of Net Assets**  
**TABLE I**

	2012	2011	Total Change	% Change
Current Assets	\$ 1,221,642	\$ 1,078,451	\$ 143,191	13.28%
Capital Assets	4,640,717	4,590,886	49,831	1.09%
<b>Total Assets</b>	<b>5,862,359</b>	<b>5,669,337</b>	<b>193,022</b>	<b>3.40%</b>
Current Liabilities	92,099	124,056	(31,957)	-25.76%
Noncurrent Liabilities	157,065	157,647	(582)	-0.37%
<b>Total Liabilities</b>	<b>249,164</b>	<b>281,703</b>	<b>(32,539)</b>	<b>-11.55%</b>
Invested in Capital Assets				
Net of Related Debt	4,535,919	4,484,660	51,259	1.14%
Unrestricted Net Assets	1,077,276	902,974	174,302	19.30%
<b>Total Net Assets</b>	<b>5,613,195</b>	<b>5,387,634</b>	<b>225,561</b>	<b>4.19%</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>\$ 5,862,359</b>	<b>\$ 5,669,337</b>	<b>\$ 193,022</b>	<b>3.40%</b>

Total assets increased by \$193,022 or 3.40%. This was a result of increases in current assets of \$143,191 or 13.28% and capital assets of \$49,831 or 1.09%. The increase in current assets is due to increases in cash and investments of \$184,558 or 25.26% and prepaid expenses of \$4,195 or 5.75%, but was offset by decreases in accounts receivable of \$42,733 or 19.24% and inventory of \$2,829 or 5.37%.

Total liabilities decreased by \$32,539 or 11.55% mainly due a decrease of \$31,957 or 25.76% in current liabilities due to the timing of accruals for accounts payable and accrued wages. Noncurrent liabilities decreased by \$582 or .37%.

As illustrated in the above Comparative Statement of Net Assets, the overall Net Assets of the Authority increased by \$225,561 or 4.19%. Invested in Capital Assets, net of related debt increased by \$51,259 or 1.14%. The net change in Invested in Capital Assets, net of related debt, was largely due to capital asset costs additions from federal grants. These additions were offset by depreciation expense of \$157,769. Unrestricted Net Assets increased by \$174,302 or 19.30%, representing a net increase in net working capital and available resources for future programs and expenditures.

While the Statement of Net Assets shows the change in financial position, the Statement of Revenues, Expenses, and Change in Net Assets breaks down our revenues and expenses further. Table II, which follows, provides a comparative statement of these changes in Net Assets. Table III provides a Statement of Revenues, Expenses and Change in Net Assets by Revenue Source.

**Ruston Housing Authority**  
**Comparative Statement of Revenues, Expenses and Change in Net Assets**  
**TABLE II**

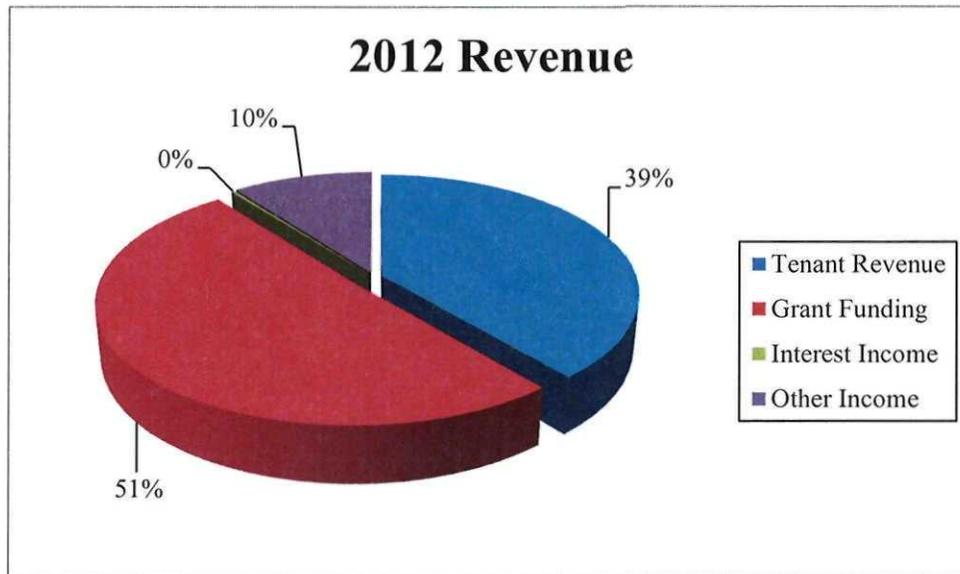
	<b>2012</b>	<b>2011</b>	<b>Total Change</b>	<b>% Change</b>
Tenant Revenue	\$ 871,964	\$ 853,022	\$ 18,942	2.22%
Grant Funding	1,137,089	1,162,007	(24,918)	-2.14%
Interest Income	5,407	22,826	(17,419)	-76.31%
Other Income	229,643	129,096	100,547	77.89%
Gain/(Loss) on sale of Fixed Assets	-	185	(185)	-100.00%
<b>Total Revenue</b>	<b>2,244,103</b>	<b>2,167,136</b>	<b>76,967</b>	<b>3.55%</b>
Administration	391,654	382,178	9,476	2.48%
Tenant services	93,029	87,942	5,087	5.78%
Utilities	291,864	269,773	22,091	8.19%
Maintenance	910,091	774,132	135,959	17.56%
General expense	165,718	198,213	(32,495)	-16.39%
Interest expense	8,417	8,770	(353)	-4.03%
Depreciation	157,769	131,883	25,886	19.63%
<b>Total Expenses</b>	<b>2,018,542</b>	<b>1,852,891</b>	<b>165,651</b>	<b>8.94%</b>
Change in Net Assets	225,561	314,245	(88,684)	-28.22%
Beginning Net Assets	5,387,634	5,073,389	314,245	6.19%
<b>Ending Net Assets</b>	<b>\$ 5,613,195</b>	<b>\$ 5,387,634</b>	<b>\$ 225,561</b>	<b>4.19%</b>

**Ruston Housing Authority**  
**Statement of Revenues, Expenses and Change in Net Assets - By Program**  
**For Year Ended June 30, 2012**  
**TABLE III**

	Business Type				
	Low-Rent	Central Office	Activity	Eliminations	Total
Tenant Revenue	\$ 850,034	\$ -	\$ 21,930	\$ -	\$ 871,964
Grant Funding	1,137,089	-	-	-	1,137,089
Interest Income	1,309	4,012	86	-	5,407
Other Income	16,708	278,703	196,859	(262,627)	229,643
<b>Total Revenue</b>	<b>2,005,140</b>	<b>282,715</b>	<b>218,875</b>	<b>(262,627)</b>	<b>2,244,103</b>
Administration	477,532	172,737	4,012	(262,627)	391,654
Tenant services	93,029	-	-	-	93,029
Utilities	291,864	-	-	-	291,864
Maintenance	836,417	-	73,674	-	910,091
General expense	144,913	11,872	8,933	-	165,718
Interest expense	-	-	8,417	-	8,417
Depreciation	147,550	6,431	3,788	-	157,769
<b>Total Expenses</b>	<b>1,991,305</b>	<b>191,040</b>	<b>98,824</b>	<b>(262,627)</b>	<b>2,018,542</b>
<b>Change in Net Assets</b>	<b>13,835</b>	<b>91,675</b>	<b>120,051</b>	<b>-</b>	<b>225,561</b>
Beginning Net Assets	4,784,998	500,746	101,890	-	5,387,634
<b>Ending Net Assets</b>	<b>\$ 4,798,833</b>	<b>\$ 592,421</b>	<b>\$ 221,941</b>	<b>\$ -</b>	<b>\$ 5,613,195</b>

## REVENUES

In reviewing the Statement of Revenues, Expenses, and Change in Net Assets, you will find that 50.67% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development. The Authority receives revenue from tenants for dwelling rental charges, excess utilities, and miscellaneous charges for 38.86% of total revenue. Other Revenue, including Interest from Investments, and Property, Grant, and Asset Management Fees to the Central office comprise the remaining 10.47%. Compared to the Fiscal Year Ended June 30, 2011, revenues had an overall increase of \$76,967 or 3.55%.



**Tenant Revenue** - Tenant Revenue received increased from \$853,022 to \$871,964, an increase of \$18,942 or 2.22%. Dwelling rent revenue typically changes in relation to changes in the number of working family tenants and changes in dwelling unit occupancy.

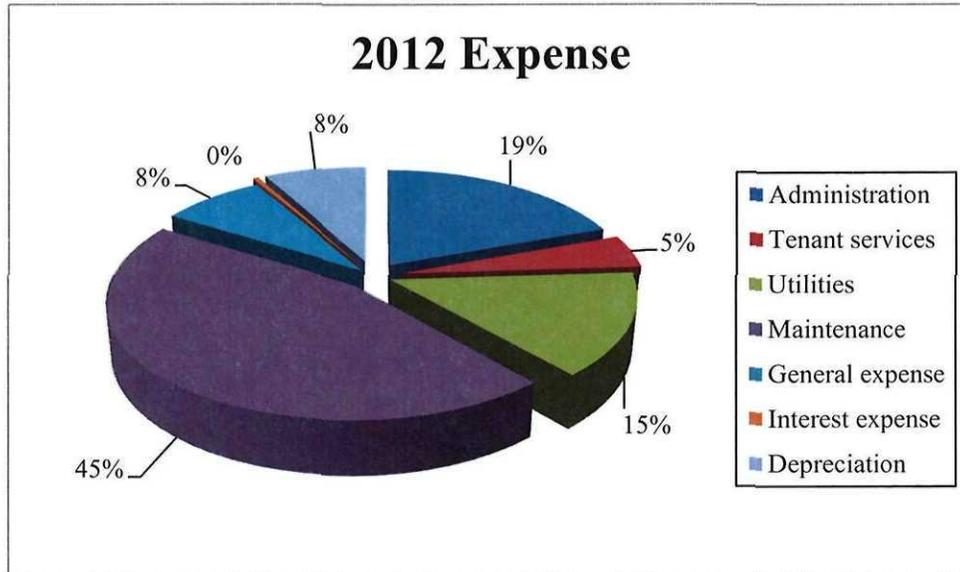
**Program Grants/Subsidies** - The Authority had a decrease of \$24,918 or 2.14% in Grant Funding from \$1,162,007 to \$1,137,089. The typical reason for change is a temporary change in spending of the Capital Fund grants which can be expended and earned over several years. The Capital Fund Programs ordinarily remains consistent from program year to program year. This year, federal stimulus was not available. The Authority also experienced an increase in operating subsidy in public housing of \$134,958 or 19.66% over the previous year.

**Interest Income** - Interest income decreased by \$17,419 or 76.31% as a result of a classification error in fiscal year 2011.

**Other Income** - Other income increased by \$100,547 of 77.89% due to increases in the amount of work done for Farmerville Housing Authority.

## EXPENSES

The Ruston Housing Authority experienced an increase in expenses for the current year from \$1,852,891 to \$2,018,542, an increase of \$165,651 or 8.94%.



The highlights of the expenses for the current year are as follows:

**Administrative** - Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2011, administrative costs increased by \$9,476 or 2.48% due to increases in audit fees of \$1,308 or 18.87%, employee benefits of \$8,021 or 9.29%, and other administrative expenses of \$10,782 or 15.90%. These increases were offset by decreases in office expenses of \$3,958 or 48.87%, legal expenses of \$2,622 or 72.51%, and travel expenses of \$4,055 or 30.96%.

**Tenant Services** - Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant Services costs increased from \$87,942, to \$93,029 or \$5,087 or 5.78%. This increase is due to increases in employee benefits of \$1,081 or 12.15% that are charged to this category and other tenant services of \$4,019 or 6.90%.

**Utilities** - The total utilities expense for the Authority increased by \$22,091 or 8.19%. The increase is due mainly to increasing electricity costs and consumption of \$28,196 or 16.83%.

**Maintenance** - Maintenance costs are all costs incurred by the Authority to maintain its Public Housing units in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management and telephone/radio service, etc. The maintenance expense for the Authority increased to \$910,091 from \$774,132, an increase of \$135,959 or 17.56%, due to increased labor and benefits of \$52,324 or 11.13%, materials of \$28,151 or 21.61%, as well as a change in maintenance service contracts of \$55,484 or 31.90% due to increased contract costs for upcoming REAC inspections.

**General Expenses** - General expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, lead based paint insurance, etc.), collection losses, and interest expense. General expenses for the Authority decreased from \$198,213 to \$165,718, a decrease of \$32,495 or 16.39%. This decrease is due to decreased insurance premiums of \$21,132 or 15.25% and bad debt expenses of \$18,609 or 31.84% due to fewer tenants moving out with outstanding balances.

**Depreciation** - Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items is recorded as depreciation. Depreciation expense for the current year increased by \$25,886 or 19.63%.

## CAPITAL ASSETS

As of June 30, 2012, the Authority had increased its net capital assets by \$49,831 or 1.09% to \$4,640,717. The following illustrates the Capital Asset values for 2011 and 2012.

**Ruston Housing Authority**  
**Comparative Statement of Capital Assets**  
**TABLE IV**

	<u>2012</u>	<u>2011</u>	<u>Total Change</u>	<u>% Change</u>
Land	\$ 67,146	\$ 67,146	-	0.00%
Buildings & improvements	11,086,564	10,150,073	936,491	9.23%
Equipment	345,503	257,410	88,093	34.22%
Construction in Progress	1,646,040	2,463,024	(816,984)	-33.17%
Total	<u>13,145,253</u>	<u>12,937,653</u>	<u>207,600</u>	<u>1.60%</u>
Accumulated Depreciation	<u>(8,504,536)</u>	<u>(8,346,767)</u>	<u>(157,769)</u>	<u>1.89%</u>
Total Capital Assets	<u>\$ 4,640,717</u>	<u>\$ 4,590,886</u>	<u>\$ 49,831</u>	<u>1.09%</u>

Major changes in the capital asset accounts are summarized below:

Balance at July 1, 2011	\$ 4,590,886
Current period additions – capital fund	214,244
Prior period additions reclassified	(6,644)
Current period depreciation expense	<u>(157,769)</u>
Balance at June 30, 2012	<u>\$ 4,640,717</u>

The net change in Invested in Capital Asset, net of related debt, was due to capital asset costs additions from the Capital Fund. These additions were offset by depreciation expense.

## **DEBT OBLIGATIONS**

The Ruston Community Corporation (Business Activities) entered into a debt obligation with the Bank of Ruston on October 19, 2010 for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 7.75% per annum. If the property is not sold, the maturity date of this obligation is July 3, 2029. The balance as of June 30, 2012 in Mortgage Notes Payable was \$104,798, with a current amount due of \$1,758.

## **ECONOMIC FACTORS**

Several significant economic factors affecting the Housing Authority are as follows:

- Congressional funding of the Department of Housing and Urban Development, as well as the final “recapture” of operating subsidy amounts
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on utility rates, supplies and other costs
- Health care and other insurance costs are expected to increase dramatically over the next several years.

## **CONCLUSIONS:**

Overall, the Ruston Housing Authority had a very good year financially. Its management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

This financial report is designed to provide our residents, the citizens of Ruston, Louisiana, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may contact the Executive Director or Assistant Executive Director at (318) 255-3644, or address your correspondence to: Ruston Housing Authority, P.O. Box 510, Ruston, LA 71270.

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**AUDITED FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**STATEMENT OF NET ASSETS  
JUNE 30, 2012**

**ASSETS**

**Current Assets**

Cash & cash equivalents - unrestricted	\$ 607,281
Cash & cash equivalents - restricted	55,156
Investments - unrestricted	252,882
Accounts receivable	179,357
Prepaid expenses	77,106
Inventories	<u>49,860</u>
 Total Current Assets	 <u>1,221,642</u>

**Noncurrent Assets**

Capital Assets:

Land	67,146
Buildings & improvements	11,086,564
Furniture & equipment	345,503
Construction in progress	<u>1,646,040</u>
	13,145,253
Less: Accumulated depreciation	<u>(8,504,536)</u>
Total Capital Assets	<u>4,640,717</u>
 Total Noncurrent Assets	 <u>4,640,717</u>

**TOTAL ASSETS** **\$ 5,862,359**

The accompanying notes are an integral part of these financial statements.

## LIABILITIES & NET ASSETS

### Current Liabilities

Accounts payable	\$	12,165
Accrued liabilities		14,430
Unearned revenue		8,590
Long-term debt - current portion		1,758
Tenant security deposits/escrow deposits		<u>55,156</u>
<i>Total Current Liabilities</i>		<u>92,099</u>

### Noncurrent Liabilities

Long-term debt, net of current		103,040
Accrued liabilities - noncurrent		<u>54,025</u>
<i>Total Noncurrent Liabilities</i>		<u>157,065</u>

TOTAL LIABILITIES 249,164

### Net Assets

Invested in capital assets, net of related debt		4,535,919
Unrestricted net assets		<u>1,077,276</u>

TOTAL NET ASSETS 5,613,195

**TOTAL LIABILITIES & NET ASSETS** \$ 5,862,359

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Operating Revenues**

Tenant revenue	\$	871,964
Governmental grants & subsidy		922,845
Other income		229,643
<b>Total Operating Revenue</b>		<b>2,024,452</b>

**Operating Expenses**

Administration		391,654
Tenant services		93,029
Utilities		291,864
Maintenance & operations		910,091
General expense		165,718
Depreciation expense		157,769
<b>Total Operating Expense</b>		<b>2,010,125</b>

<b>Net Operating Income/(Loss)</b>		<b>14,327</b>
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**Nonoperating Revenues/(Expenses)**

Investment income		5,407
Interest expense		(8,417)

<b>Net Nonoperating Revenues/(Expenses)</b>		<b>(3,010)</b>
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<b>Net Income/(Loss) before capital grants</b>		<b>11,317</b>
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Capital grants		214,244
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<b>Increase/(Decrease) in Net Assets</b>		<b>225,561</b>
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Total Net Assets - beginning		5,387,634
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Total Net Assets - ending	\$	<b>5,613,195</b>
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The accompanying notes are an integral part of these financial statements.

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from customers and users	\$ 1,101,607
Governmental grants & subsidy - operations	922,845
Payments to suppliers	(998,440)
Payments to employees	<u>(843,659)</u>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	<u>182,353</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Reclassification of investments	107,002
Interest received	<u>5,407</u>
NET CASH PROVIDED/(USED) FROM INVESTING ACTIVITIES	<u>112,409</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Governmental capital grant fund received	214,244
Additions to capital assets - capital funds	(214,244)
Interest paid	(8,417)
Capital asset classification adjustment	6,644
Repayment of debt service	<u>(1,429)</u>
NET CASH PROVIDED/(USED) FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,202)</u>

NET INCREASE/(DECREASE) IN CASH	291,560
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>370,877</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ <u><u>662,437</u></u>

The accompanying notes are an integral part of these financial statements.

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Net Income/(Loss) from operations	\$	14,327
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation		157,769
Decrease (Increase) in accounts receivable		42,733
Decrease (Increase) in prepaid expenses		(4,194)
Decrease (Increase) in inventory		2,829
Increase (Decrease) in accounts payable		(33,706)
Increase (Decrease) in accrued liabilities		(1,149)
Increase (Decrease) in unearned revenue		(61)
Increase (Decrease) in security/trust deposits		3,805
		<hr/>
NET CASH PROVIDED/(USED) FROM OPERATING ACTIVITIES	\$	<u><u>182,353</u></u>

The accompanying notes are an integral part of these financial statements.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY:**

**Organization** - The Housing Authority of the Town of Ruston ("The Authority") is a Quasi governmental entity which was organized under the laws of the State of Louisiana, as a tax-exempt, quasi-government entity under the United States Housing Act of 1937. This Housing Authority was organized for the purpose of providing decent, safe and sanitary housing for low-income families. The Authority entered into Annual Contributions Contract No. FW-1074 with the Department of Housing and Urban Development for the purpose of financing unit construction and the retirement of debt.

**Reporting Entity** - In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include the following:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based upon the above criteria, all the operations of the Authority are included in these financial statements and there are no operations or component units, which have been excluded in this report.

**Basis of Accounting:**

The accounting policies of the Housing Authority of Town of Ruston conform to generally accepted accounting principles as applicable to governments. The financial statements are presented in accordance with Generally Accepted Accounting Principle (GAAP). In applying the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds," the Authority applies all GASB pronouncements and all Financial Accounting Standards Board pronouncements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 which do not conflict with or contradict GASB pronouncements.

The financial statements of the Authority are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain Authority functions. The fund is a separate accounting entity with a self-balancing set of accounts, which include its assets, liabilities, fund equity, revenues and expenses/expenditures. Funds consist of three major categories: government, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

***Proprietary Fund Types*** – This fund is used to account for the Authority’s ongoing activities that are similar to those often found in the private sector. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector; the accounting measurement focus is on determination of net income, financial position, and cash flows. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a Proprietary Fund’s activities are included on its Statement of Net Assets. Proprietary Fund Net Assets is segregated into Invested in Capital Assets-Net of Related Debt, Restricted Net Assets & Unrestricted Net Assets. The following are the Authority’s Proprietary Fund Types:

***Enterprise Fund*** – This fund is used to account for operations that are financed and operated in a manner similar to private businesses where the intent of the governing body is that the costs (expenditures, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where the governing body has decided that periodic determination of revenues earned, expenditures incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The Authority operates the following programs in the Enterprise Fund:

1. Low Income Public Housing – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income families and the elderly.
2. Capital Fund Program – The objective of this program is to improve the physical condition of the Low Income Public Housing units and upgrade the management of the program.
3. Business Activities – The objective of this program is to acquire affordable housing property within the Ruston area. This program represents the activity of the Ruston Community Corporation.

**Encumbrances** - The Authority does not use encumbrance accounting.

**Budgets** - The Authority is required by its HUD Annual Contributions Contracts to adopt an annual budget for the Low Rent Housing Program included in the General Fund. Annual budgets are not required for capital projects funds as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval. Appropriations are authorized at the function level. Management may transfer budget authorizations between functions except that increases for administration and capital expenditures categories must be approved by HUD. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board and approved by HUD.

***Other particulars related to balance sheet items include:***

**1. Cash and Investments:**

Cash includes amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Authority. Investments are stated at cost which approximates market.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**2. Buildings and Equipment:**

Buildings and equipment are carried at historical costs. Donated assets are recorded at fair market value at the date of the donation. If the initial cost of the piece of equipment and/or other personal property is \$1,000 or more, and the anticipated life or useful value is more than one year, the same shall be capitalized. Depreciation of buildings and equipment is computed using the straight-line method at rates based on useful lives of 3 to 5 years for equipment, 15 years for leasehold improvements and 30 years for buildings.

**3. Subsidies:**

Operating grants and subsidy are recorded as operating revenue on the Statement of Revenues, Expenses, and Changes in Net Assets, while grants for capital improvements have been added to Net Assets and are not shown as operating income.

**4. Income Taxes:**

The Housing Authority of the Town of Ruston is a Quasi governmental entity. The Authority is not subject to Federal or State income taxes.

**5. Use of Estimates:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**6. Compensation for Future Absences:**

It is the policy of the Authority to accumulate earned but unused annual leave benefits which will be paid to employees upon separation from Authority service. A maximum of 30 days or 240 hours of unused leave time may be carried forward annually by each employee. Employees who separate from employment for any reason other than retirement shall forfeit all accrued sick leave.

**7. Accounts Receivable:**

Collection losses are charged off against an allowance for doubtful accounts. The allowance account is adjusted annually to properly reflect the balance of net accounts receivable due.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE A - SUMMARY OF ORGANIZATION, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING ENTITY: (Cont'd)**

**8. Operating Revenue:**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for rents. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Subsidies received from HUD or other grantor agencies, for operating purposes, are recorded as operating revenue in the operating statement while capital grant funds are added to the net assets below the nonoperating revenue and expense.

**9. New Accounting Pronouncements:**

In fiscal year 2012, the Housing Authority did not implement any new accounting standards issued by GASB. However, beginning in fiscal year 2013, the Authority plans to implement GASB Statement No. 61, The Financial Reporting Entity, which amends certain requirements for the inclusion and reporting component units in a government's financial statements. This Statement will require new blending criteria, clarification of the reporting equity interests in legally separate organizations, expanded note disclosures explaining rationale for component unit classification, as well as additional requirements beyond "fiscal dependency" and having the same common board. The provisions of the Statement are effective for financial statements for periods beginning after June 15, 2012.

**NOTE B - CASH AND INVESTMENTS:**

All the deposits of the Housing Authority of the Town of Ruston are either insured or collateralized by using the Dedicated Method whereby all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agents in these units' names. The Housing Authority of the Town of Ruston has no policy regarding custodial credit risk for deposits.

At June 30, 2012, the Authority's cash and cash equivalent deposits had a carrying amount of \$662,151 and bank balances of \$712,488. Of the bank balances held in various financial institutions, \$1,250,000 was covered by federal depository insurance and the remainder was covered by collateral held under the dedicated method. At June 30, 2012, the Authority's petty cash/change funds totaled \$286.

*Investments* - At June 30, 2012, the Authority's investment balances were as follows:

Investment Type	Market Value	Maturity	Rating
Certificates of Deposit	\$ 252,882	Greater than 3 months	N/A

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE B - CASH AND INVESTMENTS: (Cont'd)**

*Interest rate risk* - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities of 12 months or less.

*Credit risk* - The Authority has no policy regarding credit risk.

*Custodial credit risk* - For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All cash balances are four banks and are fully collateralized at 100% and pledged securities are noted below. The Authority has no policy on custodial credit risk.

*Concentration of credit risk* - The Authority places no limit on the amount that it may invest in certificates of deposits. The Authority has no policy regarding credit risk.

The above balances are contained in the following types of accounts at various financial institutions.

Cash & Investments at June 30, 2012 are as follows:

Checking accounts	\$ 662,151
Certificates of Deposit	252,882
Petty cash	<u>286</u>
	<u>\$ 915,319</u>

**Restricted Cash and Investments:**

Rental deposits are reserved until refunded to the tenant or used to cover expenses upon departure. The tenant security deposit cash and liability balances are as follows:

Tenant security deposit – cash	<u>\$ 55,156</u>
Tenant security deposit – liability	<u>\$ 55,156</u>

**Collateralization:**

As of June 30, 2012 the following securities were pledged as collateral to secure the deposits of the Housing Authority of the Town of Ruston:

Security	Cusip	Maturity Date	Interest Rate	Market Value
<b>Community Trust Bank</b>				
FHLB	31397QL22	05/22/2040	4.000%	\$ 305,000
FHLB	128506DX7	02/15/2020	4.000%	100,000
FHLB	50700NAR8	11/01/2027	5.375%	35,000
FHLB	534490EA1	03/01/2030	4.125%	<u>25,000</u>
				<u>\$ 465,000</u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE C - ACCOUNTS RECEIVABLE AND ACCRUED RECEIVABLES:**

Accounts Receivable and Accrued Receivables at June 30, 2012, consisted of the following:

Tenants Accounts Receivable (Net of Allowance - \$157)	\$ 4,982
Accounts Receivable – HUD	142,013
Accounts Receivable – Fraud	3,836
Accounts Receivable – Other Government	27,610
Accrued Interest Receivable	<u>916</u>
	<u>\$ 179,357</u>

The consolidated Statement of Net Assets presented in the financial statements does not include the interfund receivables and payables of \$437,967 which have been eliminated in the consolidation.

**NOTE D - DEFERRED CHARGES:**

Deferred charges at June 30, 2012, consisted of the following:

Prepaid insurance & expenses	\$ 77,106
Inventory materials	<u>49,860</u>
	<u>\$ 126,966</u>

**NOTE E - CAPITAL ASSETS:**

The following is a summary of changes in the net capital assets during the fiscal year ended June 30, 2012:

	Beginning Balances	Increases	Transfers	Decreases	Ending Balances
<b>Enterprise Activities</b>					
<b>Capital assets not being depreciated:</b>					
Land	\$ 67,146	\$ -	\$ -	\$ -	\$ 67,146
Construction in progress	<u>2,463,024</u>	<u>214,244</u>	<u>(1,024,584)</u>	<u>(6,644)</u>	<u>1,646,040</u>
<b>Total capital assets not being depreciated</b>	<u>2,530,170</u>	<u>214,244</u>	<u>(1,024,584)</u>	<u>(6,644)</u>	<u>1,713,186</u>
<b>Buildings &amp; improvements</b>	10,150,073	-	936,491	-	11,086,564
<b>Furniture &amp; equipment</b>	<u>257,410</u>	<u>-</u>	<u>88,093</u>	<u>-</u>	<u>345,503</u>
<b>Total capital assets being depreciated</b>	<u>10,407,483</u>	<u>-</u>	<u>1,024,584</u>	<u>-</u>	<u>11,432,067</u>
Less accumulated depreciation for:					
Buildings & improvements	8,091,961	133,677	-	-	8,225,638
Furniture & equipment	<u>254,806</u>	<u>24,092</u>	<u>-</u>	<u>-</u>	<u>278,898</u>
<b>Total accumulated depreciation</b>	<u>8,346,767</u>	<u>157,769</u>	<u>-</u>	<u>-</u>	<u>8,504,536</u>
<b>Total capital assets being depreciated</b>	<u>2,060,716</u>				<u>2,927,531</u>
<b>Enterprise activity capital assets, net</b>	<u>\$ 4,590,886</u>				<u>\$ 4,640,717</u>

Balance at July 1, 2011	\$ 4,590,886
Current period additions – capital fund	214,244
Prior period additions reclassified	(6,644)
Current period depreciation expense	<u>(157,769)</u>
Balance at June 30, 2012	<u>\$ 4,640,717</u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
Ruston, Louisiana

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE F - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:**

Accounts Payable and Accrued liabilities at June 30, 2012, consisted of the following:

Vendors & contractors	\$	12,165
Accrued compensated absences-current		13,506
Tenant security deposits		55,156
Accrued payroll/taxes		924
Unearned revenue		8,590
Long-term debt -- current portion		<u>1,758</u>
	<u>\$</u>	<u>92,099</u>

The consolidated Statement of Net Assets presented in the financial statements does not include the interfund receivables and payables of \$437,967 which have been eliminated in the consolidation.

**NOTE G - OTHER NONCURRENT LIABILITIES:**

Other noncurrent liabilities at June 30, 2012, consisted of the following:

	Balance July 1, 2011	Increases	Decreases	Balance June 30, 2012	Current Portion of Balance
Compensated absences	\$ 66,642	\$ 11,178	\$ (10,289)	\$ 67,531	\$ 13,506
Long-term debt	<u>106,226</u>	<u>-</u>	<u>(1,428)</u>	<u>104,798</u>	<u>1,758</u>
Total Noncurrent Liabilities	<u>\$ 172,868</u>	<u>\$ 11,178</u>	<u>\$ (11,717)</u>	<u>\$ 172,329</u>	<u>\$ 15,264</u>

**NOTE H - LONG-TERM DEBT - MORTGAGE NOTES PAYABLE:**

The Ruston Community Corporation (Business Activities) entered into a debt obligation with the Bank of Ruston on October 19, 2010 for the acquisition of certain real property. The obligation is secured by a first mortgage deed and bears interest at a rate of 7.75% per annum. If the property is not sold the maturity date of this obligation is July 3, 2029. The balance as of June 30, 2012, was \$104,798, with a current amount due of \$1,758. A schedule of five year maturities and required payments is as follows:

Date	Payments	Principal	Interest
2013	\$ 9,819	\$ 1,758	\$ 8,061
2014	9,819	1,900	7,919
2015	9,819	2,052	7,767
2016	9,819	2,217	7,602
2017	9,819	2,395	7,424
2018-2022	49,093	15,189	33,904
2023-2027	49,093	22,349	26,744
2028-2032	49,093	32,886	16,207
2033-2034	27,000	24,052	2,948
	<u>\$ 223,374</u>	<u>\$ 104,798</u>	<u>\$ 118,576</u>

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE I - COMMITMENTS AND CONTINGENCIES:**

**Legal:**

The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

**Grants and contracts:**

The Authority participates in various federally-assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of June 30, 2012.

**Capital fund:**

The Authority receives capital funding each year for ongoing capital improvements and repairs and maintenance.

**NOTE J - RELATED PARTY TRANSACTIONS:**

The Board of Commissioners of the Housing Authority also serves as Directors of the Ruston Community Corporation, Inc. Board. This organization is a nonprofit corporation designed to build and develop affordable housing in the Ruston area. This entity is included in the consolidated financial statements as a blended component unit. There are no other related party transactions during the year.

**NOTE K - PENSION PLAN:**

The Authority participates in the Housing-Renewal and Local Agency Retirement Plan. The plan administrator is William M. Mercer, Inc. The purpose of the Plan is to provide retirement benefits for eligible employees when they reach their normal retirement date. This plan is considered to be a defined contribution plan and as such the contribution percentages are fixed and based upon the employee's earnings. Employees are eligible to participate from the date of employment. The Authority total covered payroll for the year ended June 30, 2012 was \$488,206.44.

The Employees are required to contribute 6.00% of their annual covered salary and the Housing Authority is required to contribute at a rate of 8.50% of the annual covered payroll. The contribution rates were established by the employee's joiner agreement. The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Authority's current period contributed requirement. The Authority's contribution for the year ended June 30, 2012 was \$41,497.68 and the total pension contribution for the year was \$86,406.40.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2012**  
(Continued)

**NOTE L - RISK MANAGEMENT:**

The Authority is exposed to all common perils associated with the ownership and rental of real estate properties. A risk management program has been established to minimize loss occurrence and to transfer risk through various levels of insurance. Property, causality, employee dishonesty and public official's liability forms are used to cover the respective perils. Commercial carriers insure all common perils such as business auto, computer and other miscellaneous policies.

The Authority participates in public entity risk pool (Louisiana Municipal League Risk Management Pool) for General Liability, and Directors and Officers Liability. Settled claims resulting from these risks have not exceeded risk pool coverage in any of the past three fiscal years. Rights and responsibilities of the Authority and the pool are contained within the pool agreement and the scope of coverage documents.

**NOTE M - ECONOMIC DEPENDENCY:**

The Authority Owned Housing is economically dependent on annual contributions grants from the Federal government. This program operates at a loss prior to receiving the contributions and grants.

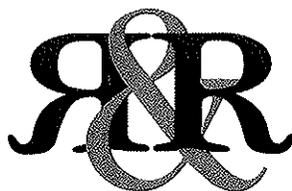
**NOTE N - SUPPLEMENTARY INFORMATION:**

The supplementary information has been included in order to show the financial statements of the Housing Authority on the GAAP basis of accounting but in the format of the HUD Handbook 7476.3, *Audit Guide*. This is due to the fact that some supplementary information is reviewed by the field office and provides greater detail concerning the operations of the Authority.

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**SINGLE AUDIT SECTION**

**YEAR ENDED JUNE 30, 2012**



RECTOR & REEDER, PC

**INDEPENDENT ACCOUNTANT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

We have audited the financial statements of the Housing Authority of the Town of Ruston, as of and for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

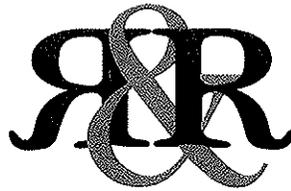
As part of obtaining reasonable assurance about whether the Housing Authority of the Town of Ruston's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Housing Authority of the Town of Ruston's in a separate letter dated November 29, 2012.

This report is intended solely for the information and use of the Housing Authority of the Town of Ruston, the State of Louisiana, HUD and other federal audit agencies, and is not intended to be and should not be used by anyone other than these specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Rector & Reeder, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
November 29, 2012



RECTOR & REEDER, PC

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the Town of Ruston  
Ruston, Louisiana 71723

HUD – New Orleans Office  
501 Magazine 9th Floor  
New Orleans, Louisiana 70130

**Compliance**

We have audited the Housing Authority of the Town of Ruston's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority of the Town of Ruston's major federal programs for the year ended June 30, 2012. The Housing Authority of the Town of Ruston's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of the Town of Ruston's management. Our responsibility is to express an opinion on the Housing Authority of the Town of Ruston's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the Town of Ruston's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of the Town of Ruston's compliance with those requirements.

As described in item no. 2012-01 in the accompanying schedule of findings and questioned costs, the Housing Authority of the Town of Ruston did not comply with requirements regarding eligibility that are applicable to its Low-Rent program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the Town of Ruston to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of the Town of Ruston complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of the Housing Authority of the Town of Ruston is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Housing Authority of the Town of Ruston's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item no. 2012-01 to be a significant deficiency.

The Housing Authority of the Town of Ruston's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority of the Town of Ruston's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management of the Housing Authority of the Town of Ruston, the State of Louisiana, HUD and other federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Rector & Reeder, P.C.  
Certified Public Accountants

Lawrenceville, Georgia  
November 29, 2012

**HOUSING AUTHORITY OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended June 30, 2011, contained no formal audit findings.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I – Summary of Auditor’s Results:**

**Financial Statements**

Type of report issued on the financial statements:	<b>Unqualified</b>
Internal control over financial reporting:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency(ies) identified not considered to be material weaknesses?	<b>None reported</b>
Noncompliance material to the financial statements noted?	<b>No</b>

**Federal Awards**

Internal controls over major programs:	
Material weakness(es) identified?	<b>No</b>
Significant deficiency(ies) identified not considered to be material weaknesses?	<b>Yes</b>
Type of report issued on the compliance for major programs:	<b>Qualified</b>
Any audit findings disclosed that are required to be reported in Accordance with Circular A-133, Section .510(a)?	<b>No</b>
Identification of major program:	
CFDA #14.850 - Low-Rent Public Housing Program	
CFDA #14.872 - Capital Fund Program	
Dollar threshold used to distinguish between type A and type B programs:	<b>\$300,000</b>
Did the Authority qualify as a low-risk auditee?	<b>No</b>

**Section II – Financial Statement Findings**

***Findings related to financial statements in accordance with GAGAS:***

NONE REPORTED

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

**Section III – Federal Award Findings and Questioned Costs**  
*Findings and questioned costs for Federal Awards as defined in Section .510:*

**Finding 2012-01 Low Rent Public Housing Files – Significant Deficiency & Noncompliance**

**CFDA # 14.850**

**Condition:**

We reviewed thirty (30) Low Rent Public Housing participant files. We observed incorrect income calculations in eight (8) of those tenant files. If extrapolated and annualized over the entire program population, these errors could potentially understate tenant rental revenue by \$32,281.

**Criteria:**

Part 24 of the Code of Federal Regulations, Section 966, and the HUD RIM Handbook give the requirements for maintaining the tenant files. HUD requires that certain information be obtained from each resident in order to properly support the rental calculations and prescribes acceptable methods of tenant income calculation.

**Cause:**

We noted the miscalculations were the result of a general disregard of the documentation provided by the tenants to substantiate the tenant's income.

**Effect:**

Eight (8) of thirty (30) files reviewed contained income calculation errors which led to incorrect tenant rent calculations. Failure to accurately calculate tenant income can result in the inability to properly rely or make assurances on rental income and could lead to tenants being either under or overcharged for their dwelling rent.

**Recommendation:**

We recommend that the PHA staff begin to utilize a checklist that chronicles the necessary items that are to be included with each tenant's re-certification. In addition, we recommend that a PHA staff member, separate of the tenant re-certification process, audit at least 20% of all Public Housing tenants' annual re-certifications, utilizing the aforementioned checklist, to ensure that documentation for compliance and income calculations are calculated correctly and readily available within the files.

**Corrective Action Plan:**

The Project Manager assigned this duty is using a checklist to chronicle the necessary items to be included with each tenant's re-certification. The Project Manager has been instructed on the proper methodology for averaging of income and the calculation of rent. The (8) files that had incorrect calculations have been reviewed and the rents have been re-calculated and tenants notified.

The Assistant Director will supervise the calculations and audit ALL the tenants' annual re-certifications.

**Contact Person:** Woody Whittington, Executive Director

**Anticipated Completion Date:**

The (8) files that had incorrect calculations have been reviewed and the rents have been re-calculated. Files of other working households will be reviewed and rents re-calculated, if necessary, by January 31, 2013.

**HOUSING AUTHORITY  
OF THE TOWN OF RUSTON  
Ruston, Louisiana**

**SUPPLEMENTAL INFORMATION**

**YEAR ENDED JUNE 30, 2012**

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET ASSET ACCOUNTS  
JUNE 30, 2012**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>ASSETS:</b>					
<b>CURRENT ASSETS:</b>					
Cash:					
Cash - unrestricted	\$ 20,495	\$ 136,580	\$ 450,206	\$ 0	\$ 607,281
Cash - restricted	0	0	0	0	0
Cash - tenant security deposits	1,450	53,706	0	0	55,156
<b>Total Cash</b>	<b>21,945</b>	<b>190,286</b>	<b>450,206</b>	<b>0</b>	<b>662,437</b>
Accounts and notes receivables:					
Accounts receivable - HUD	0	142,013	0	0	142,013
Accounts receivable - other government	12,053	0	15,557	0	27,610
Accounts receivable - miscellaneous	0	0	0	0	0
Accounts receivable - tenants rents	1,052	4,087	0	0	5,139
Allowance for doubtful accounts-tenants	0	(157)	0	0	(157)
Accounts receivable - fraud	0	3,836	0	0	3,836
Allowance for doubtful accounts-other	0	0	0	0	0
Notes receivable - current	0	0	0	0	0
Accrued interest receivable	0	513	403	0	916
<b>Total receivables - net</b>	<b>13,105</b>	<b>150,292</b>	<b>15,960</b>	<b>0</b>	<b>179,357</b>
Current investments:					
Investments - unrestricted	0	221,028	31,854	0	252,882
Investments - restricted	0	0	0	0	0
Prepaid expenses and other assets	0	71,439	5,667	0	77,106
Inventories	0	49,860	0	0	49,860
Allowance for obsolete inventories	0	0	0	0	0
Assets held for sale	0	0	0	0	0
Interprogram due from	170,262	0	267,705	(437,967)	0
<b>TOTAL CURRENT ASSETS</b>	<b>205,312</b>	<b>682,905</b>	<b>771,392</b>	<b>(437,967)</b>	<b>1,221,642</b>
<b>NONCURRENT ASSETS:</b>					
Capital Assets:					
Land	31,378	35,768	0	0	67,146
Buildings	113,622	3,601,846	0	0	3,715,468
Furniture & equipment - dwellings	0	0	0	0	0
Furniture & equipment - admin	0	300,608	44,895	0	345,503
Improvements	0	7,371,096	0	0	7,371,096
Work in process	0	1,646,040	0	0	1,646,040
Accumulated depreciation	(22,123)	(8,443,413)	(39,000)	0	(8,504,536)
<b>Total capital assets - net</b>	<b>122,877</b>	<b>4,511,945</b>	<b>5,895</b>	<b>0</b>	<b>4,640,717</b>
Notes receivable - noncurrent	0	0	0	0	0
Investment in joint ventures	0	0	0	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<b>122,877</b>	<b>4,511,945</b>	<b>5,895</b>	<b>0</b>	<b>4,640,717</b>
<b>TOTAL ASSETS</b>	<b>\$ 328,189</b>	<b>\$ 5,194,850</b>	<b>\$ 777,287</b>	<b>\$ (437,967)</b>	<b>\$ 5,862,359</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET ASSET ACCOUNTS  
JUNE 30, 2012**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14,850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>LIABILITIES AND NET ASSETS:</b>					
<b>LIABILITIES:</b>					
<b>CURRENT LIABILITIES:</b>					
Cash overdraft	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Accounts payable < 90 days	0	12,165	0	0	12,165
Accrued salaries/payroll withholding	0	0	924	0	924
Accrued compensated absences	0	10,770	2,736	0	13,506
Accrued interest payable	0	0	0	0	0
Accounts payable - HUD PHA programs	0	0	0	0	0
Accounts payable - other gov.	0	0	0	0	0
Tenant security deposits	1,450	53,706	0	0	55,156
Unearned revenue	0	8,590	0	0	8,590
Current portion of L-T debt - capital projects	1,758	0	0	0	1,758
Other current liabilities	0	0	0	0	0
Interprogram (due to)	0	267,705	170,262	(437,967)	0
<b>TOTAL CURRENT LIABILITIES</b>	<u>3,208</u>	<u>352,936</u>	<u>173,922</u>	<u>(437,967)</u>	<u>92,099</u>
<b>NONCURRENT LIABILITIES:</b>					
Long-term debt, net of current - capital projects	103,040	0	0	0	103,040
Accrued comp. absences - long term	0	43,081	10,944	0	54,025
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>103,040</u>	<u>43,081</u>	<u>10,944</u>	<u>0</u>	<u>157,065</u>
<b>TOTAL LIABILITIES</b>	<u>106,248</u>	<u>396,017</u>	<u>184,866</u>	<u>(437,967)</u>	<u>249,164</u>
<b>NET ASSETS:</b>					
Invested in Capital Assets, net of related debt	18,079	4,511,945	5,895	0	4,535,919
Restricted Net Assets	0	0	0	0	0
Unrestricted Net Assets	203,862	286,888	586,526	0	1,077,276
<b>TOTAL NET ASSETS</b>	<u>221,941</u>	<u>4,798,833</u>	<u>592,421</u>	<u>0</u>	<u>5,613,195</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 328,189</u>	<u>\$ 5,194,850</u>	<u>\$ 777,287</u>	<u>\$ (437,967)</u>	<u>\$ 5,862,359</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET ASSET ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14.850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>REVENUES:</b>					
Net tenant rental revenue	\$ 21,750	\$ 634,497	\$ 0	\$ 0	\$ 656,247
Tenant revenue - other	180	215,537	0	0	215,717
Total tenant revenue	21,930	850,034	0	0	871,964
HUD PHA grants - operating	0	922,845	0	0	922,845
HUD PHA grants - capital	0	214,244	0	0	214,244
Management fee	0	0	200,532	(200,532)	0
Asset management fee	0	0	35,950	(35,950)	0
Bookkeeping fee	0	0	26,145	(26,145)	0
Front line service fee	0	0	0	0	0
Other government grants	0	0	0	0	0
Investment income - unrestricted	86	1,309	4,012	0	5,407
Mortgage interest income	0	0	0	0	0
Fraud income	0	0	0	0	0
Other revenue	196,859	16,708	16,076	0	229,643
Investment income - restricted	0	0	0	0	0
Gain/(loss) on disposition	0	0	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 218,875</b>	<b>\$ 2,005,140</b>	<b>\$ 282,715</b>	<b>\$ (262,627)</b>	<b>\$ 2,244,103</b>
<b>EXPENSES:</b>					
Administrative:					
Administrative salaries	\$ 0	\$ 90,705	\$ 105,573	\$ 0	\$ 196,278
Compensated absences	0	0	0	0	0
Auditing fees	0	8,238	0	0	8,238
Management fees	0	200,532	0	(200,532)	0
Bookkeeping fees	0	26,145	0	(26,145)	0
Advertising & marketing	0	0	0	0	0
Employee benefits - administrative	0	43,601	50,748	0	94,349
Office expense	591	3,251	299	0	4,141
Legal expense	0	994	0	0	994
Travel expense	119	8,922	0	0	9,041
Other operating - administrative	3,302	59,194	16,117	0	78,613
Total Administrative Expense	4,012	441,582	172,737	(226,677)	391,654
Asset management fee	0	35,950	0	(35,950)	0
Tenant services:					
Tenant services - salaries	0	20,762	0	0	20,762
Employee benefits - tenant services	0	9,980	0	0	9,980
Other tenant services	0	62,287	0	0	62,287
Total Tenant Services	0	93,029	0	0	93,029
Utilities:					
Water	0	22,237	0	0	22,237
Electricity	0	195,758	0	0	195,758
Gas	0	7,157	0	0	7,157
Sewer	0	66,712	0	0	66,712
Other utilities	0	0	0	0	0
Employee benefits - utilities	0	0	0	0	0
Total Utilities Expense	0	291,864	0	0	291,864

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET ASSET ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14,850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
<b>Ordinary Maintenance &amp; Operation:</b>					
Labor	27,727	325,006	0	0	352,733
Materials	7,061	151,346	0	0	158,407
Employee benefit contributions	13,328	156,229	0	0	169,557
Garbage & trash removal contracts	0	20,946	0	0	20,946
Heating & cooling contracts	0	0	0	0	0
Snow removal contracts	0	0	0	0	0
Elevator maintenance contracts	0	0	0	0	0
Landscape & grounds contracts	0	12,505	0	0	12,505
Unit turnaround contracts	0	14,854	0	0	14,854
Electrical contracts	1,050	9,251	0	0	10,301
Plumbing contracts	1,934	9,040	0	0	10,974
Extermination contracts	0	22,421	0	0	22,421
Janitorial contracts	0	0	0	0	0
Routine maintenance contracts	0	0	0	0	0
Contract costs - other	22,574	114,819	0	0	137,393
<b>Total Ordinary Maintenance &amp; Operation</b>	<b>73,674</b>	<b>836,417</b>	<b>0</b>	<b>0</b>	<b>910,091</b>
<b>Protective services:</b>					
Protective services - salaries	0	0	0	0	0
Employee benefits - protective services	0	0	0	0	0
Other protective services	0	0	0	0	0
<b>Total Protective Services</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>General Expenses:</b>					
Property insurance	1,003	77,554	0	0	78,557
Liability insurance	0	20,712	0	0	20,712
Workmen's compensation	0	6,005	10,470	0	16,475
Insurance - other	0	1,722	0	0	1,722
Other general expense	500	5,344	1,402	0	7,246
Payments in lieu of taxes	1,172	0	0	0	1,172
Bad debt - tenant rents	6,258	33,576	0	0	39,834
Bad debt - mortgages	0	0	0	0	0
Severance expense	0	0	0	0	0
<b>Total General Expenses</b>	<b>8,933</b>	<b>144,913</b>	<b>11,872</b>	<b>0</b>	<b>165,718</b>
<b>Financial Expenses:</b>					
Interest expense - Mortgage Payable	8,417	0	0	0	8,417
Interest expense - Notes Payable	0	0	0	0	0
Amortization - issuance costs	0	0	0	0	0
<b>Total Financial Expenses</b>	<b>8,417</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8,417</b>
<b>TOTAL OPERATING EXPENSE</b>	<b>95,036</b>	<b>1,843,755</b>	<b>184,609</b>	<b>(262,627)</b>	<b>1,860,773</b>
<b>EXCESS OPERATING REVENUE</b>	<b>123,839</b>	<b>161,385</b>	<b>98,106</b>	<b>0</b>	<b>383,330</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN NET ASSET ACCOUNTS  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>Business Activities</u>	<u>Low-Rent Public Hsg 14,850</u>	<u>Central Office Cost Center</u>	<u>Elimination</u>	<u>TOTAL</u>
Other Expenses:					
Extraordinary maintenance	0	0	0	0	0
Casualty losses	0	0	0	0	0
Housing assistance payments	0	0	0	0	0
Depreciation expense	3,788	147,550	6,431	0	157,769
Total Other Expenses	<u>3,788</u>	<u>147,550</u>	<u>6,431</u>	<u>0</u>	<u>157,769</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>98,824</u></b>	<b>\$ <u>1,991,305</u></b>	<b>\$ <u>191,040</u></b>	<b>\$ <u>(262,627)</u></b>	<b>\$ <u>2,018,542</u></b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ <u>120,051</u></b>	<b>\$ <u>13,835</u></b>	<b>\$ <u>91,675</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>225,561</u></b>
Transfer of funds	0	0	0	0	0
Transfer of equity	0	0	0	0	0
Prior period adjustments	0	0	0	0	0
<b>Beginning Net Assets</b>	<u>101,890</u>	<u>4,784,998</u>	<u>500,746</u>	<u>0</u>	<u>5,387,634</u>
<b>Ending Net Assets</b>	<b>\$ <u>221,941</u></b>	<b>\$ <u>4,798,833</u></b>	<b>\$ <u>592,421</u></b>	<b>\$ <u>0</u></b>	<b>\$ <u>5,613,195</u></b>
<b>Units Available</b>	<b>48</b>	<b>3,600</b>	<b>-</b>	<b>-</b>	<b>3,648</b>
<b>Units Leased</b>	<b>46</b>	<b>3,491</b>	<b>-</b>	<b>-</b>	<b>3,537</b>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET ASSET ACCOUNTS - AMPs  
JUNE 30, 2012**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
<b>ASSETS:</b>			
<b>CURRENT ASSETS:</b>			
Cash:			
Cash - unrestricted	\$ 136,580	\$ 0	\$ 136,580
Cash - restricted	0	0	0
Cash - tenant security deposits	53,706	0	53,706
Total Cash	<u>190,286</u>	<u>0</u>	<u>190,286</u>
Accounts and notes receivables:			
Accounts receivable - HUD	142,013	0	142,013
Accounts receivable - other government	0	0	0
Accounts receivable - miscellaneous	0	0	0
Accounts receivable - tenants rents	4,087	0	4,087
Allowance for doubtful accounts-tenants	(157)	0	(157)
Accounts receivable - fraud	3,836	0	3,836
Allowance for doubtful accounts-other	0	0	0
Accrued interest receivable	513	0	513
Total receivables - net	<u>150,292</u>	<u>0</u>	<u>150,292</u>
Current investments:			
Investments - unrestricted	221,028	0	221,028
Prepaid expenses and other assets	71,439	0	71,439
Inventories	49,860	0	49,860
Allowance for obsolete inventories	0	0	0
Interprogram due from	0	0	0
<b>TOTAL CURRENT ASSETS</b>	<u><b>682,905</b></u>	<u><b>0</b></u>	<u><b>682,905</b></u>
<b>NONCURRENT ASSETS:</b>			
Capital Assets:			
Land	35,768	0	35,768
Buildings	3,601,846	0	3,601,846
Furniture & equipment - dwellings	0	0	0
Furniture & equipment - admin	300,608	0	300,608
Improvements	7,371,096	0	7,371,096
Work in process	1,646,040	0	1,646,040
Accumulated depreciation	(8,443,413)	0	(8,443,413)
Total capital assets - net	<u>4,511,945</u>	<u>0</u>	<u>4,511,945</u>
Notes receivable - noncurrent	0	0	0
Investment in joint ventures	0	0	0
<b>TOTAL NONCURRENT ASSETS</b>	<u><b>4,511,945</b></u>	<u><b>0</b></u>	<u><b>4,511,945</b></u>
<b>TOTAL ASSETS</b>	<u><b>\$ 5,194,850</b></u>	<u><b>\$ 0</b></u>	<u><b>\$ 5,194,850</b></u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
NET ASSET ACCOUNTS - AMPs  
JUNE 30, 2012**

<u>Account Description</u>	<u>LA054 - 1</u>	<u>Other Project</u>	<u>TOTAL</u>
<b>LIABILITIES AND NET ASSETS:</b>			
<b>LIABILITIES:</b>			
<b>CURRENT LIABILITIES:</b>			
Cash overdraft	\$ 0	\$ 0	0
Accounts payable < 90 days	12,165	0	12,165
Accrued salaries/payroll withholding	0	0	0
Accrued compensated absences	10,770	0	10,770
Accrued interest payable	0	0	0
Accounts payable - HUD PHA programs	0	0	0
Accounts payable - other gov.	0	0	0
Tenant security deposits	53,706	0	53,706
Unearned revenue	8,590	0	8,590
Current portion of L-T debt - capital projects	0	0	0
Other current liabilities	0	0	0
Interprogram (due to)	267,705	0	267,705
<b>TOTAL CURRENT LIABILITIES</b>	<u>352,936</u>	<u>0</u>	<u>352,936</u>
<b>NONCURRENT LIABILITIES:</b>			
Long-term debt, net of current - capital projects	0	0	0
Accrued comp. absences - long term	43,081	0	43,081
Noncurrent liabilities - other	0	0	0
<b>TOTAL NONCURRENT LIABILITIES</b>	<u>43,081</u>	<u>0</u>	<u>43,081</u>
<b>TOTAL LIABILITIES</b>	<u>396,017</u>	<u>0</u>	<u>396,017</u>
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of related debt	4,511,945	0	4,511,945
Restricted Net Assets	0	0	0
Unrestricted Net Assets	286,888	0	286,888
<b>TOTAL NET ASSETS</b>	<u>4,798,833</u>	<u>0</u>	<u>4,798,833</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,194,850</u>	<u>\$ 0</u>	<u>\$ 5,194,850</u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET ASSET ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	LA054 - 1		
	Operating	Capital	Total
<b>REVENUES:</b>			
Net tenant rental revenue	\$ 634,497	\$ 0	\$ 634,497
Tenant revenue - other	215,537	0	215,537
Total tenant revenue	850,034	0	850,034
HUD PHA grants - operating	821,261	101,584	922,845
HUD PHA grants - capital	0	214,244	214,244
Management fee	0	0	0
Asset management fee	0	0	0
Bookkeeping fee	0	0	0
Front line service fee	0	0	0
Other government grants	0	0	0
Investment income - unrestricted	1,309	0	1,309
Mortgage interest income	0	0	0
Fraud income	0	0	0
Other revenue	16,708	0	16,708
Investment income - restricted	0	0	0
Gain/(loss) on disposition	0	0	0
<b>TOTAL REVENUES</b>	<b>\$ 1,689,312</b>	<b>\$ 315,828</b>	<b>\$ 2,005,140</b>
<b>EXPENSES:</b>			
<b>Administrative:</b>			
Administrative salaries	\$ 90,705	\$ 0	\$ 90,705
Auditing fees	8,238	0	8,238
Management fees	159,099	41,433	200,532
Bookkeeping fees	26,145	0	26,145
Advertising & marketing	0	0	0
Employee benefits - administrative	43,601	0	43,601
Office expense	3,251	0	3,251
Legal expense	994	0	994
Travel expense	8,922	0	8,922
Other operating - administrative	58,924	270	59,194
Total Administrative Expense	399,879	41,703	441,582
Asset management fee	35,950	0	35,950
<b>Tenant services:</b>			
Tenant services - salaries	20,762	0	20,762
Employee benefits - tenant services	9,980	0	9,980
Other tenant services	21,286	41,001	62,287
Total Tenant Services	52,028	41,001	93,029
<b>Utilities:</b>			
Water	22,237	0	22,237
Electricity	195,758	0	195,758
Gas	7,157	0	7,157
Sewer	66,712	0	66,712
Other utilities	0	0	0
Employee benefits - utilities	0	0	0
Total Utilities Expense	291,864	0	291,864

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET ASSET ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>LA054 - I</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
Ordinary Maintenance & Operation:			
Labor	325,006	0	325,006
Materials	132,465	18,881	151,346
Employee benefit contributions	156,229	0	156,229
Garbage & trash removal contracts	20,946	0	20,946
Heating & cooling contracts	0	0	0
Snow removal contracts	0	0	0
Elevator maintenance contracts	0	0	0
Landscape & grounds contracts	12,505	0	12,505
Unit turnaround contracts	14,854	0	14,854
Electrical contracts	9,251	0	9,251
Plumbing contracts	9,040	0	9,040
Extermination contracts	22,421	0	22,421
Janitorial contracts	0	0	0
Routine maintenance contracts	0	0	0
Contract costs - other	114,819	0	114,819
Total Ordinary Maintenance & Operation	<u>817,536</u>	<u>18,881</u>	<u>836,417</u>
Protective services:			
Protective services - salaries	0	0	0
Employee benefits - protective services	0	0	0
Other protective services	0	0	0
Total Protective Services	<u>0</u>	<u>0</u>	<u>0</u>
General Expenses:			
Property insurance	77,554	0	77,554
Liability insurance	20,712	0	20,712
Workmen's compensation	6,005	0	6,005
Insurance - other	1,722	0	1,722
Other general expense	5,344	0	5,344
Payments in lieu of taxes	0	0	0
Bad debt - tenant rents	33,576	0	33,576
Bad debt - mortgages	0	0	0
Severance expense	0	0	0
Total General Expenses	<u>144,913</u>	<u>0</u>	<u>144,913</u>
Financial Expenses:			
Interest expense - Mortgage Payable	0	0	0
Interest expense - Notes Payable	0	0	0
Amortization - issuance costs	0	0	0
Total Financial Expenses	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL OPERATING EXPENSE</b>	<u><u>1,742,170</u></u>	<u><u>101,585</u></u>	<u><u>1,843,755</u></u>

**Housing Authority of the Town of Ruston  
Ruston, Louisiana**

**FINANCIAL DATA SUBMISSION SUMMARY  
REVENUES, EXPENSES AND CHANGE IN  
NET ASSET ACCOUNTS - COMBINED SCHEDULE - AMP's  
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Account Description</u>	<u>LA054 - 1</u>		
	<u>Operating</u>	<u>Capital</u>	<u>Total</u>
<b>EXCESS OPERATING REVENUE</b>	<u>(52,858)</u>	<u>214,243</u>	<u>161,385</u>
Other Expenses:			
Extraordinary maintenance	0	0	0
Casualty losses	0	0	0
Housing assistance payments	0	0	0
Depreciation expense	<u>147,550</u>	<u>0</u>	<u>147,550</u>
Total Other Expenses	<u>147,550</u>	<u>0</u>	<u>147,550</u>
<b>TOTAL EXPENSES</b>	<b>\$ <u>1,889,720</u></b>	<b>\$ <u>101,585</u></b>	<b>\$ <u>1,991,305</u></b>
<b>EXCESS OF REVENUE OVER EXPENSES</b>	<b>\$ <u>(200,408)</u></b>	<b>\$ <u>214,243</u></b>	<b>\$ <u>13,835</u></b>
Transfer of funds	0	0	0
Transfer of equity	1,029,194	(1,029,194)	0
Prior period adjustments	0	0	0
<b>Beginning Net Assets</b>	<u>4,784,998</u>	<u>0</u>	<u>4,784,998</u>
<b>Ending Net Assets</b>	<b>\$ <u>5,613,784</u></b>	<b>\$ <u>(814,951)</u></b>	<b>\$ <u>4,798,833</u></b>
<b>Units Available</b>	<b>3600</b>	<b>0</b>	<b>3,600</b>
<b>Units Leased</b>	<b>3491</b>	<b>0</b>	<b>3,491</b>

Housing Authority of the Town of Ruston  
Ruston, Louisiana

**SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b><u>FEDERAL GRANTOR</u></b>			
<b><u>U.S. DEPARTMENT OF HOUSING &amp; URBAN DEVELOPMENT:</u></b>			
<b>Public Housing:</b>			
Low Rent Public Housing - subsidy	A - Major	14.850	\$ 821,261
Capital Fund Program	A - Major	14.872	<u>315,828</u>
<b>TOTAL FEDERAL FINANCIAL AWARDS</b>			<b>\$ <u>1,137,089</u></b>
<b>Threshold for Type A &amp; Type B</b>			<b>\$ <u>300,000</u></b>

The accompanying notes are an integral part of this schedule.

**HOUSING AUTHORITY OF THE TOWN OF RUSTON**  
**Ruston, Louisiana**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the Town of Ruston and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**NOTE B - SUBRECIPIENTS:**

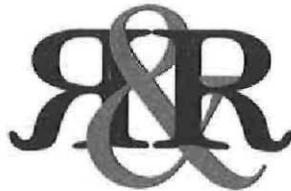
The Housing Authority of the Town of Ruston provided no federal awards to subrecipients during the fiscal year ending June 30, 2012.

**NOTE C - DISCLOSURE OF OTHER FORMS OF ASSISTANCE:**

- The Housing Authority of the Town of Ruston received no federal awards of non-monetary assistance that are required to be disclosed for the year ended June 30, 2012.
- The Housing Authority of the Town of Ruston had no loans, loan guarantees, or federally restricted endowment funds required to be disclosed for the fiscal year ended June 30, 2012.
- The Housing Authority of the Town of Ruston maintains the following limits of insurance as of June 30, 2012:

Property	\$ 16,957,140
Liability	\$ 1,000,000
Commercial Auto	\$ 100,000
Commercial Auto Liability	\$ 300,000
Worker Compensation	Regulatory
Public Officials Liability	\$ 1,000,000
Fidelity Bond	\$ 45,000

Settled claims have not exceeded the above commercial insurance coverage limits over the past three years.



RECTOR & REEDER, PC

November 29, 2012

To the Board of Commissioners  
Housing Authority of the Town of Ruston

We have audited the financial statements of the Housing Authority of the Town of Ruston for the year ended June 30, 2012, and have issued our report thereon dated November 29, 2012. Professional standards require that we provide you with the following information related to our audit.

#### **Our Responsibility under Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As a part of our audit, we considered the internal control structure of the Housing Authority of the Town of Ruston. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control structure.

#### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Housing Authority of the Town of Ruston are described in Note A to the financial statements. Currently as a result of federal regulations the Housing Authority has adopted the generally accepted accounting principles.

#### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by the Housing Authority that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements. We proposed no audit adjustments that could, in our judgment, either individually or in the aggregate, have a significant effect on the Housing Authority's financial reporting process.

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### **Disagreements with Management**

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Significant Deficiencies**

Our audit included obtaining an understanding of internal control sufficient to plan the audit and to determine the nature, timing, and extent of audit procedures to be performed. Our audit was not specifically designed and cannot be relied on to provide assurance on internal control or to identify deficiencies in internal control. As required under professional standards, we are required to report any significant deficiencies encountered during our audit. Our review identified certain significant deficiencies as noted in the current audit findings section of the audit report.

### **Additional Comment and Observations**

1. **Waiting List** – Testing of the PHA waiting list indicated a potential control weakness. While our review indicates the PHA housed applicants in accordance with its ACOP, the effective controls over the wait list appear to be manual in nature due to PHA staff not utilizing the automated wait list controls.

This information is intended solely for the use of the Audit Committee, the Finance Committee, the Board of Commissioners, the management agent, and management of the Housing Authority of the Town of Ruston and should not be used for any other purpose.

Very truly yours,



Rector & Reeder, P.C.  
Certified Public Accountants